

MEMORANDUM

TO: Water, Sewer and Storm Water Rate Board
FROM: Water Department and Public Advocate
RE: Rate Board Inquiries
DATE: July 2, 2018

Confirmation of Agreed Upon Adjustments

The table below summarizes the agreed-upon adjustments in the 2018 Rate Proceeding.¹

Adjustments Acceptable to PWD and Public Advocate

<u>Adjustment</u>	<u>Description of Adjustment</u>	<u>Citation to Record</u>
Additional Staffing Operating Labor Expense (Actual/Budget Factor) ²	Application of Actual to Budget Factor consistent with cost classification	PA Statement 1 at 20, Lines 6-7
Debt Interest Rate ³	Use of 5.25 percent interest rate for debt issuance in FY 2019 and FY 2020	PA Statement 1 at 27, Lines 15 - 16
Capacity to Pay Energy Costs ⁴	(\$1,493,250) - FY 2019 (\$1,493,250) - FY 2020	PA Statement 1 at 31, Schedule LKM-2, line 14
Chemicals ⁵	0.0% - FY 2019	PA Statement 1 at 25-26.
Bond Issuance Costs	0.56% - FY 2019 0.56% - FY 2020 0.56% - FY 2021	PA Statement 1 at 28.

Collection Factors

The cumulative collection factors utilized in the rate filing represent the multi-year payment pattern for the following periods:

- **Billing Year** – All payments associated with a given fiscal year’s billing and received within the 12 months following the beginning of the fiscal year.

¹ See, PWD Brief at 29.

² This adjustment relates to the actual-to-budget factor to be applied for this expense for FY 2019-2021. PWD maintains its position that planned expenditures for Additional Employees should be approved for FY 2021.

³ This adjustment reflects a 5.25% interest rate for planned issuances in FY 2019 and 2020 – which is acceptable to the Department. PWD maintains its position for FY 2021. See, PWD Statement 9A at 39.

⁴ This adjustment reduces Class 200 Power using actual-to-budget factor of 75.62%.

⁵ This adjustment reduces a 6.7% increase estimated for FY 2019. See, PWD Statement 9A, Schedule BV-E5 (WP-1) at 5.

- **Billing Year Plus 1** – All payments associated with a given fiscal year’s billing and received within 13-24 months following the beginning of the fiscal year.
- **Billing Year Plus 2 and Beyond** – All payments associated with a given fiscal year’s billing and received after 24 months following the beginning of the fiscal year.⁶

The table on the following page depicts the collection factors proposed by the Philadelphia Water Department (“PWD”) and Public Advocate (“Advocate”) for Non-Stormwater Only Customers.

Non-Stormwater Only Collection Factors Under PWD and Public Advocate Analyses⁷

Fiscal Year	Non-Stormwater Only Billings		
	Billing Year	Billing Year Plus 1	Billing Year Plus 2 and Beyond
2016	86.84%	N/A	N/A
2015	87.03%	8.24%	N/A
2014	86.17%	8.61%	1.00%
2013	84.80%	9.80%	1.69%
2012	84.67%	9.67%	1.99%
Department’s Method (All Data)			
Average (All Data)	85.90%	9.08%	1.56%
Cumulative Total			96.54%
Public Advocate’s Method (Bold Data in Shaded Cells)			
Average	86.68%	8.88%	1.56%
Cumulative Total			97.12%

The shaded areas of the table represent the data used in the Public Advocate’s analysis. All of the data shown above was used in the PWD analysis.

The average for the Billing Year, Billing Year Plus 1 and Billing Year Plus 2 is shown in the row labeled Average (All Data) in the table above. PWD cumulative total is 96.54%. The Advocate’s cumulative total is 97.12%.

With reference to the table above and using FY 2012 Non-Stormwater Only billings as an example - the columns of the table can be interpreted as follows:

Billing Year - all payments associated with FY 2012 billings received within 12 months following the beginning of the fiscal year (July 1, 2011 to June 30, 2012) – 84.67%.

Billing Year Plus 1 – all payments associated with FY 2012 billings received within 13-24 months following the beginning of the fiscal year (July 1, 2012 to June 30, 2013) – 9.67%.

Billing Year Plus 2 and Beyond – all payments associated with FY 2012 billings received after 24 months following the beginning of the fiscal year - 1.99%.

⁶ PWD Statement 9A, Schedule BV-E5: WP-1 at 2.

⁷ See, PWD Hearing Exhibit 1 (Illustration of Collection Factor Analysis); PWD Brief at 31; PA Brief at 74.

The calculation of the collection factor for Stormwater Only customers is not shown in the table above.